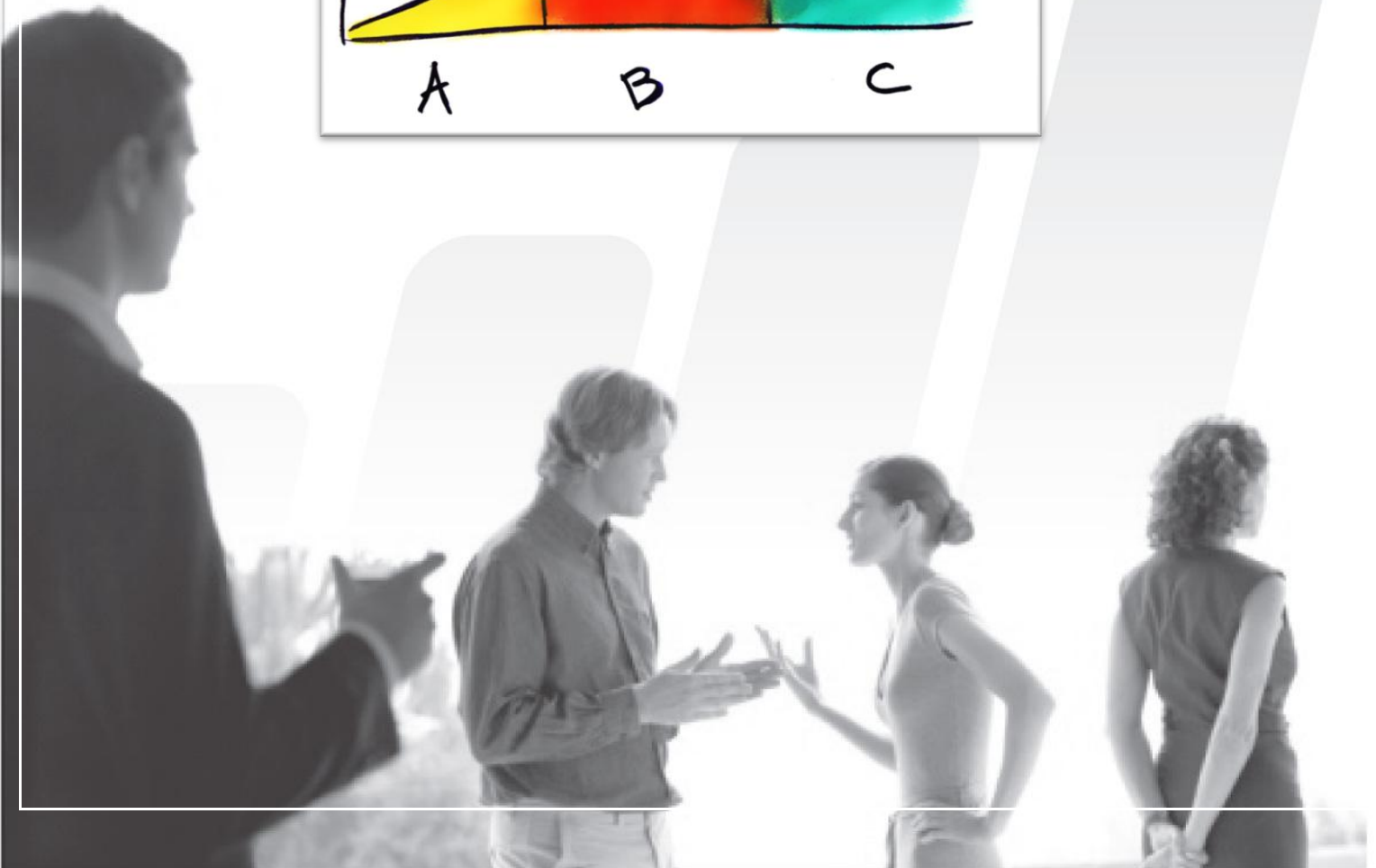
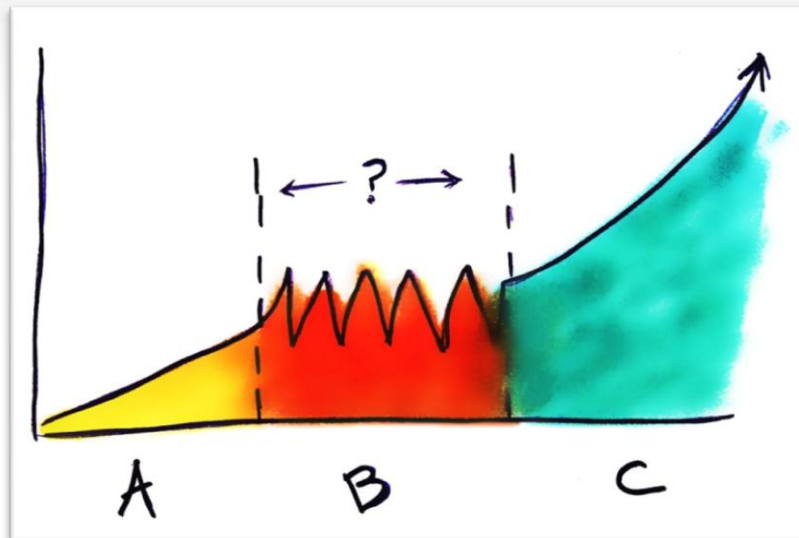


Predictable Revenue

Excerpted from the new book "Build a Sales Machine" by Aaron Ross



Predictable Revenue

In order to create more predictable revenue you must build a better sales machine. This takes work, but avoids the painful, yet common, mistakes companies make when planning and creating sales processes.

Building a Sales Machine that creates ongoing, predictable revenue takes:

1. **Predictable Lead Generation** (which is *the* most important thing by far to creating predictable revenue)
2. An inside **Sales Development** function that bridges the common chasm between marketing and sales
3. **Consistent Sales Systems**
4. A focus on **Customer Success** once they've signed on the dotted line

The \$100 Million Sales Process and Team

In 2003, Salesforce.com had a problem: it had hired a bunch of high-priced field salespeople to bring in and close new business, but they were starving for pipeline and leads. Their rolodexes turned out to be, with very few exceptions, irrelevant.

Salesforce.com's marketing and PR wasn't generating enough leads at large companies to feed the new hires. These expensive salespeople needed leads.

Except for knocking on doors when I had a painting business in college, I'd never done sales or lead generation before joining Salesforce.com. But I knew I could figure out a way to feed them those leads. I didn't know how much I didn't know!

Knowing nothing about lead generation and sales helped me because I brought a fresh perspective to selling. After trying a few cold calls, I realized what a waste of time that kind of work was and immediately gave it up.

I also read a bunch of sales books and then threw them away. Most just say the same things, in different ways, and weren't helpful at all.

I felt like I had to start from scratch.

I ended up creating a sales prospecting process and inside sales team that consistently generated new qualified sales opportunities for the quota-carrying salespeople.

The team I created focused on ONLY ONE thing: generating new qualified sales opportunities from cold companies (ones at which we had no activity or interest) and passing these qualified opportunities to quota-carrying salespeople to close.

Over the first few years, this team sourced the deals that added \$100 million in new incremental recurring revenue to Salesforce.com.

The team only contacted cold new business accounts at which we didn't have a relationship or current interest, or past accounts, which had gone cold for at least six months. The team didn't receive any new inbound leads generated by word-of-mouth or by marketing (these leads went specifically to a separate Market Response team to qualify and pass to Account Executives).

This sales lead generation process involved no cold calling, which I regarded as a waste of time after experimenting with making cold calls myself.

In addition to hiring great people, there were three components to the team's system of year-after-year success:

1. Predictable Success and ROI: I created a simple sales prospecting process that was highly effective and highly repeatable and predictable.

I designed the process to make it easy for sales reps to succeed, and 95% of them beat their numbers while ramping up in their first three months.

After about 18 months of results and data, I could predict the future results of new hires on my team. I knew that if I hired someone costing \$100,000 per year, they would generate per year as much as \$3,000,000 in total revenue (subscriptions worth \$1,000,000 per year over three years).

2. Self-Managing Systems: Everything was a system. I designed the team to be self-managing so that it could grow and succeed even when I couldn't spend much one-on-one time with each person. I didn't want to be the bottleneck to the success of the team or of any individual on the team.

3. Sustainability: I designed the team to succeed over the long-term, independent of who was managing it, so that even when I left the team (or if I was hit by a bus) it would continue growing.

The Painful Mistake Boards & VP Sales Will Make In Next Year Planning

This section originally was written as a blog post in 2008, and it was so popular and such an important reminder that I kept republishing it annually. I have a feeling this reminder will bear repeating year after year after year...

For companies selling products worth less than \$100,000-\$250,000, the old school strategy of hiring more "feet on the street" to drive revenue growth is failing more often.

Let's take companies who want to grow fast mostly through adding new customers (rather than more mature companies who drive much of their growth through their customer base).

The problem: the old bedrock sales principles that usually worked now don't work anymore, especially "if I need to double revenue growth, I need to double my sales force to drive it."

Wrong.

In high-growth companies, **salespeople do not *cause* customer acquisition growth, they *fulfill* it.**

This is a HUGE shift in traditional sales thinking. I'm talking about root cause drivers, not correlations. Of course you need more salespeople if you're getting bigger, but they aren't what is *causing* the bulk of new customer growth.

Lead generation is the cause of new customer acquisition.

I see a future in which sales is more and more like account management, and the focus of new customer acquisition responsibility growth falls more squarely on lead generation executives (VP Demandgen/Leadgen and VP Sales Development).

OK, some of you are saying, "You're crazy. I'm hiring sales people and they're adding new revenue. And it's worked for me for 10 years. Without great salespeople, we wouldn't be closing these customers."

Right. That did work in the past. *Things change.*

(And true, you need great salespeople to close customers, but the better your lead generation is, the less dependent you are on the quality of your sales people and sales process. Better lead generation = more margin for sales error.)

Let's do a quick comparison of two competitors:

Competitor A:

- Trying to double from \$10M in revenue to \$20M
- 10 salespeople today, growing to 15
- Generating \$3M per month in new pipeline through proven campaigns in lead generation and marketing (40% of pipeline), a Cold Calling 2.0 team (40% of pipeline), partners (20% of pipeline).

- Their salesperson ramp-time is 4 months (because they create pipeline for the rep to walk into)

Competitor B:

- Trying to double from \$10M in revenue to \$20M
- 10 salespeople today, growing to 20
- Competitor B spends money on marketing, and salespeople cold call, but no one really tracks pipeline metrics. But the VP Sales and the salespeople have had a knack for hitting their numbers each month so far with some scrambling
- They think their new salesperson ramp-time is 6 months (but really will end up at 9-15 months...if their salespeople ramp at all)

Which competitor would you bet to hit their goals?

Here's the scenario I see playing out for too many companies in the next 12 months:

1. Board/CEO sets an aggressive revenue target for the coming year (mostly based from new customer acquisition)
2. VP Sales/CEO divides revenue goal by expected quota of each sales rep to determine the number of salespeople needed to hit the target
3. It takes longer than expected to hire the new sales reps, and sales reps miss their targets after ramping MUCH more slowly than planned
4. Everyone has an extra helping of pain and a side of stress for Thanksgiving, as the end of the year approaches with a huge results gap to make up

A Fatal Mistake

Here is the root assumption that causes 'VP Sales roadkill' (although the board and CEO are equally responsible): Their false assumption that salespeople will find new business on their own.

No they won't. Not enough to feed themselves.

(Ok, SOMETIMES, SOME salespeople can. Some people win the lottery too.)

Here's why:

1. Salespeople are terrible at prospecting
2. Salespeople hate to prospect

3. Even if a salesperson does do some prospecting successfully, as soon as they generate some pipeline, they become too busy to prospect. It's not sustainable.

Unless all I'm selling is big deals (>\$250k), or in industries that truly are relationship-based (like the ad agency world)...there's no way in hell I'm rolling the dice on my company based on this assumption.

How Boards & CEOs Exacerbate the Problem

As soon as a product is ready for market and there's some initial customer traction, the board and CEO tend to rush to set 100%+ growth targets. They arbitrarily pick goals (since there's no data to base predictions on!) and turn the screws on the VP Sales. The VP Sales sucks it up (especially when he had no voice in the goals) and gets busy hiring salespeople...who miss the plan. Company misses targets. Executive team is refreshed.

Why is it easier for people and companies to do more of what doesn't work than to take some time to figure out what does? By Q2, when the sales people aren't making their 2010 numbers, there will be the push (from the board, CEO or VP Sales themselves) to hire more! "We're behind on our goals, we need to hire more salespeople!" How does that make sense?!

I think people, when under too much pressure or stress, tend to retreat to the safety of what they know rather than taking the risk of trying new things. It's safe; it's less scary than what's unknown. It doesn't make logical sense; it must come from the reptile part of the brain.

Some Answers, Kind Of

Unfortunately, there aren't any quick fixes to this lead generation problem today. In fact, if you don't have any repeatable lead generation programs yet, you're already behind in getting ready for your goals in the coming 6-12 months.

Despite your investors' demands, it can take 6-12 months to get lead generation cranking and generate revenue.

For example, what can work is a mix of:

1. Trial and error in lead generation (requires patience, experimentation, money)

2. Patience in building great word-of-mouth (the highest value lead generation source, but hardest to influence)
3. Cold Calling 2.0 (by far the most predictable source of pipeline, but it takes time and focus)
4. Building an excited partner ecosystem (very high value, very long time-to-results)
5. PR (great if you're great at getting it!)

Unsure Of What Works Today, Or Where To Start? Begin With More Awareness

Start with more awareness on how much pipeline you're generating.

1. Do your executive team and board know how much new (qualified) pipeline the company needs to generate per month? (This is the number one, most important metric to track after closed business.)
2. Is the "new pipeline generated per month" number tracked at the board level?
3. Is there a common language, common definitions, for "prospects", "leads" and "opportunities"? One of the biggest problems is usually miscommunication and misunderstanding of terms and metrics between executives and directors.

If your executive team and board is aware of the pipeline gap – the amount of pipeline required to hit your results, and likely places it will come from – you can begin to be more realistic in both your goals and plans to execute on those goals. You will also be less likely to break trust with your team and investors by missing your goals as a surprise...and without really knowing why.



About Aaron Ross

Aaron is the founder of PebbleStorm, a community of people that enjoy helping each other succeed. Our mission is to help 100 million people “make money through enjoyment” by showing them how to shift the way they do business and become more successful by making their work enjoyable and inspiring. *Build A Sales Machine* is the sales consulting arm of PebbleStorm, helping companies create predictable revenue through more effective lead generation (“Cold Calling 2.0”), sales development processes and organizational design.

Before PebbleStorm, Aaron Ross was an EIR (Entrepreneur-in-Residence) at Alloy Ventures, a \$1 billion venture capital firm. Prior to Alloy, at Salesforce.com, Aaron created a revolutionary sales lead generation process and team that helped increase Salesforce.com’s recurring revenues by \$100 million.

Aaron is also the cofounder of DataSalad (“Fresh B2B Marketing Data”), and on the advisory boards of Silicon Valley companies such as: Clickability, 4INFO, ConnectAndSell, AdaptAds, Playboox, AfterCollege, ExpertCEO and Flywheel Ventures.

About Marketo

Marketo is the revenue-focused marketing automation company, revolutionizing how marketing and sales teams of all sizes sell and succeed at every stage of the revenue cycle. Delivered in the Marketing Cloud, Marketo’s powerful and easy solutions provide the fastest time to value and ignite explosive revenue growth from the earliest stages of demand generation and lead management to the pursuit of revenue and customer loyalty.

Marketo Lead Management helps Marketers acquire, nurture and qualify more high quality sales leads with less effort, while Marketo Sales Insight helps Sales understand, prioritize and interact with the hottest leads and opportunities to close business faster. Known for providing breakthrough innovation and the utmost in usability, Marketo was voted 'Best Marketing Automation Application' and 'Best Mass Emails Solution' by Salesforce customers on the Force.com AppExchange. As of January 2010, more than 400 enterprise and mid-market clients in 14 countries have selected Marketo.

- Call: +1.650.376.2300
- Email: info@marketo.com
- Visit: www.marketo.com